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The Potential of South Africa as a Developmental State: A Political Economy Critique

Sub-theme 2: Formulating Sustainable Policies for a Developmental State

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Abstract

At a time when most countries in the world adopted the principles of the Washington consensus with regard to government and the principles of New Public Management with regard to its governance, developments in South Africa from the early 1990 onward seemingly went the other way. Departing from an apartheid-system before 1994 the new democratic state of South Africa inherited a regime based on neo-liberal principles with regard to socio-economic development with consequently a minimalist role of the state in terms of its intervention in the economic arena. Where everywhere in the world government was seen as the problem, the ANC government clearly had other views regarding its role in socio-economic development. The government enacted and promulgated various people-centered policies and strategic programs, and the ANC adopted the principles of the developmental state with the belief that state economic intervention could enhance and strengthen the government or state capacity to deal with the challenges of poverty, unemployment and gross inequalities.

The questions this paper tries to answer are whether it is possible for a nation state to go counter to dominant international developments, which dilemmas it faces, which hurdles it has to overcome and whether it could have been effective and efficient in a globalized world in which the dominant powers were clearly opposed to such policies.

The paper further explores the potential as well as challenges embedded within an aspiring developmental state endorsing a policy philosophy in favor of state intervention within an international context in which the dominant policy theory is opposed to state intervention. The main question to be answered is what kind of difficulties a single state government faces when it moves, with regard to its presumed role vis-à-vis society, against the (international) grain and whether it is possible in this era of globalization to survive nonetheless.

1. Introduction

When the ANC government came into power in 1994 it enacted and promulgated various people-centered policies and strategic programmes. The government adopted principles of the developmental state with the belief that the state economic intervention could enhance and strengthen the state capacity to deal with the legacy of apartheid particularly challenges of poverty, unemployment and mass inequalities. However the government is faced with many obstacles in order to get a start on a developmental state. The dominant and wealthy nations are opposed to the policies of state intervention. There is a belief by the dominant nations that state intervention would impede progress. The idea is for the South African government to follow the route taken by the Newly Industrialised Countries or the Tiger economies' approach to development where there was little or no state intervention which led to their rapid economic growth.

The hurdles faced by the government have been worsened by globalisation where weaker states are controlled and dominated by wealthy and stronger nations particularly in terms of trade and investment among other issues. Unlike the newly industrialized countries that adopted the developmental state in the 1960s where the environment was conducive for development, the conditions for a favourable developmental state are marred by aggressive competition in the global village where wealthy nations are pushing the poor nations back to the periphery of the colonial and imperial times thus creating a wider gap between the rich and poor nations as well as between the rich and the poor within countries.

Despite the hurdles that the South African government faces, it is committed to push through for a developmental state through its policies of state intervention because it realizes that there is little investment and less tax payers (employed people). The government sees its role as that of a facilitator and assistant in addressing poverty, unemployment and inequalities that were created by the apartheid government.

The first part of this paper will present the theoretical framework within which to analyse the development of the political economy of South Africa and compare the ANC philosophy with the dominant philosophy in the international context. The will also investigate and critique state capacity and its role coupled with its governance structures within a political economy framework. Next the paper compares the trends in state interventions in South Africa since 1994 with trends taking place in other African countries in the same period. In this instance the argument will also give a comparative analysis on outcomes in terms of economic growth and changing socio-economic inequality. Finally the paper presents the hurdles that the South African government had to overcome by taking a unique position regarding the role of its government, the role and opinions of international actors and the critique the ANC government received from South African politicians, political scientists, economists and practitioners.

2. Theoretical framework of political economy

In both autocratic and democratic states, the influence of politics on the economy and versa vesa has always been central generating raging debates within social and political sciences. This intricate relationship between political and economic is in the contemporary society underlined by the deliberations around the notions of democracy and development. The paper uses political economy as a framework to critique the potential of South Africa as a developmental state. This paper focuses looks at the political economy as an analytical and conceptual framework within which the issues pertaining to politics as well as economics becomes determining factors towards understanding the notion of developmental state. According to Staniland (1985) political economy is a way in which production in a country is distributed and consumption wealth is organised in a society. Staniland further defines political economy in a country as a way in which “politics determines aspects of the economy, and how economic institutions determine the political process as well as the dynamic interaction between the two forces”. Different countries adopt different models of the economy. Some countries have adopted the neo-liberal (capitalist model of economy, while others choose the Marxist mode of economy where the state leads or commands the economy. In addition some countries see it wise to use a mixed economy as advocated by the British economist Maryland Keynes in dealing with the economic challenges.

Central to the understanding of the political economy, is to relocate the state in terms of its role to exercise its authority and power in terms of policy formulation and regulation (Ranney 1990). In the context of South Africa, the question is which governance system is inclusive towards building a responsible society based on active and shared democratic governance. From the neo-liberal perspective, the state is prevented from having direct intervention in running the economy. In this case the state is viewed as minimalist since it only goes as far as providing an environment conducive for the market or private sector to thrive. The command economy requires the state to have an upper hand particularly in the planning and implementation aspects of the economy. This is done by the state's deployment of experts in the field of politics, economics as well a conventional

development planning. In the context of a mixed economy, the economic growth is boosted through borrowing what can best work from both the state and the private sector. The process of excluding the majority of people from participating in socio-economic development in the case of Africans in South Africa was exacerbated by structural and statutory factors of apartheid. Even after fifteen years into democratic era, despite policy inroads South Africa is still haunted by the political and economic miscalculation and underdevelopment.

This is further aggravated by the fact that political independence was gained without economic independence, the state vulnerability and incapacity to proactively deal with structural and institutional challenges. In the case of South Africa, the adoption and the relevance of developmental model as a state intervention approach is conceived on the two accounts. Firstly, as a platform to consolidate the democratic gains made through interventionist pro-poor social development programmes aimed at addressing disparities of the past and job creation interventions geared towards the reduction of poverty and unemployment. Secondly, being developmental demands that the state strives towards an alignment of national development priorities to economic outputs that gives surety that the national economy serves the needs of the people particularly the poor and marginalized Max-Neef, , . In building a democratic developmental state, Mc Lennan (2007: 9) argues that such strategy or intervention should growth the economy which in essence should require building capacitated administrative machinery capable of delivering to the poorest of the poor.

Conceptualisation of the developmental state

Since the emergence of developmental state as a model to deal with socio-economic challenges and decay, the concept has warranted both social and political scientists to explore the nature, scope and role of a state that is developmental orientated. various definitions and conceptions are attached to the notion of developmental state.

3. State interventions

State intervention through economic development and growth

Most African countries gained political independence in the 1960s and as George (1988) observed financial loans became easily available to these new democracies. While Europe was under recession in the 1970s African economies were booming with the money loaned from the IMF and the World Bank as well as from the European banks who had so much finance to move around from the gains of petrodollars from the oil rich states that were saving in European banks.

In South Africa, the transition from apartheid to liberal democracy since 1994 inherited multiple challenges ranging from racial discrimination, national domination and economic exploitation. Consequently, the legacy of apartheid exacerbated extreme poverty, underdevelopment which according to Taylor (1997: 2) was caused by structural and systemic inequalities with in turn further created an environment whereby poverty, violence, crime and uncertainty prevails. Various policies were introduces with the fundamental imperative to transform the south Africa towards redressing the legacy of the skewed development as well as forging the development path envisaged on multi-dimensional development. In 1994, the Reconstruction and Development Programme (RDP) was introduces as a socio-economic and developmental policy upon which most of the challenges could be addressed. Despite being a developmental programme, it failed to take into account the deep-seated socio-economic inequalities, hence its ineffectiveness and demise. The introduction and adoption of Growth Employment and Redistribution (GEAR) as macro-economic policy in 1996 with the desire to create a favorable environment for market led economic growth to implement the RDP. In essence, RDP and particularly GEAR become the benchmark for government's economic and social policies that are underpinned by the commitment towards creating productive employment opportunities through which poverty could be alleviated by ensuring the economy is democratize and in turn give surety in meeting basic needs and ensuring a decent lining started and economic

growth and security (UNDP, 2000: 12). In South African context, RDP and GEAR represent ideological contradictions as RDP on one hand represents a participatory process anchored on a democratic developmental paradigm while on the other, GEAR represent a neo-liberal approach to macro economic development. By definition a developmental state

State intervention through democratic governance

Adams (1993 cited in Wood 2001: 70) asserts that the global economic growth provides the lifeblood of growth within individual countries. In this instance economic political growth depends on the domestic socio-economic climate of a country. It should be noted that some throughout the 1970s and 1980s African countries under the leadership of despots such as Mobuto of Zaire and Bokassa of the Central African Empire's new political economy of development have been destructive and have also ruined citizens' livelihoods to an extent of them living in abject poverty. Despite lack of good governance Leftwich (2000) argues that aid freely flowing despite the appalling human rights records. Gill and Law (1988: 68) argue that in the 1980s most of the African authoritarian leaders hid behind the dependency theory in order to justify their inadequacies and failures. Currently what is happening in Zimbabwe mirrors Africa of the 1980s, rather than enjoying political economy of development achieved in the 1980s and part of the 1990s, Mugabe has led the country's politics through a destructive path where the economy and food security collapsed.

The advent of Structural adjustment programmes has also caused severe structural challenges that impede political and economic growth. Structural adjustment programmes economic policy prescriptions of the World Bank and International Monetary Fund that have destroyed and weakened African states. Rather than concentrate on development African countries have cut back on social services such as education and health in order to service debts incurred from the World Bank and IMF as well as donor aid and North Banks. Hardly surprising the debt crisis has further created dependency on the North countries thus impeding economic and development growth (Wood 2001).

Governance whether representative or participatory is centred on ruling through people and can not happen unless there is commitment and willingness for a reciprocal dialogue and engagement with people and state. Since independence, the level of engagement should have included rigorous civil education that informed those who were inside the country, the incarcerated including those who were in exile. In the long run, it could assist placing people at equal footing in terms of understanding the status quo and plan for construction and development of the country.

State intervention through developmental trajectory

4. Potential and Challenges

The trends that argue for or parallel to South Africa as a **developmental state** arose within the historical context of a colonial apartheid state which was based on the narrow ideology of separatism and racial discrimination. In responding to the multi-dimensional challenges, the new government has since the 1994 democratic breakthrough, ushered in new political and democratic conditions, providing a unique opportunity to actively build a developmental state, capable of implementing the objectives of our national democratic change. From the policy perspective, it is explicitly evidenced through various legislative directives and options such as the RDP (1994), Constitution (1996), White Paper on Local Government (1998) that crafted South Africa on the developmental path. According to the UNDP (2000: xi) the South African development path was championed parallel to the era marked by the collapsed of the three main development models, like the soviet socialist model, welfarist modernist model and the developmentalist model advocated south based nations more particularly the Tiger economies (Malaysia, South Korea, and China). These policies lay a strong and sound foundation for South Africa on the road to become a developmental state.

The imperative for building a developmental state is based on the state commitment to address the adverse effects of soaring poverty, rising unemployment and gross inequalities. Despite South Africa conforming to the Washington Consensus, neo-liberalism underpinned by global capitalist order, it came to realize that leaving everything to the market does not bring human development but further subjugate the poor and the marginalized to structural poverty and underdevelopment. The quest for employing a developmental model to deal with the contemporary challenges President Zuma in his State of National Address (2009) was explicit to task the state to play a central role in the social and economic development of the country and further serve as a catalyst for sustainable development and economic growth. In this case the ANC 52nd National Congress (December 2007) took the resolution with the following commitment to implement a developmental model that is characterized by the following:

- It strives to maintain a delicate balance between achieving higher economic growth and addressing social inequalities. This is because it has a clear poverty reduction programme that is biased towards the poor.
- It gives direction in providing a clear developmental agenda that strives to addresses major societal challenges. Along that, it does not leave the resolution of social problems solely in the hands of market forces.
- It has a central planning capacity which enables it to drive integrated development
- It has as its key feature of a strong democratic culture and promotes accountability and transparency.
- It is people-driven and involves communities in the planning and implementation of developmental projects
- It provides an enabling environment for different social actors to be able to realise their goals

Although there have been major advances made South Africa as a developmental state is still faced with multiple challenges. The legacy of apartheid left massive pools of marginalized black Africans. Lemon (1987) and Lester et al (2000) assert that apartheid

directly and deliberately discriminated the majority blacks by denying them opportunities and representation thus blocking their development potential. Nel (2004) emphasizes that the demise of apartheid did not eliminate centuries of ingrained inequality. Although democracy has created and elevated the black middle classes, economic marginalization among the majority poor has increased due to the factors of globalization in addition to domestic problems. The country is infested with crime-ridden squatter camps, massive rural to urban migrations which have led to gross problems in solving housing shortages and blockages in the urban areas. The unemployment rate is high and has been exacerbated by the current recession where many blue collar workers are losing jobs in large numbers. It has been difficult to create jobs hence the President Zuma's promise of a half a million job opportunities in his maiden speech as the third democratic leader. The country is also faced with shortages of skilled personnel in technical sectors which tend to push a country's developmental progress. South Africa has acute corruption in almost all its government sectors and this has hindered and slowed down service delivery. Lyons and Smuts (1999) suggest that officials pay lip service to the principles they are obliged to uphold.

Neocosmos (2006: 80) observes that one of the obstacles to development is that there is failure to create specific mechanisms for participation, in addition to capacity and financial constraints at local government level which impact negatively on the pace and prospects of change. Habib (2008) concurs with Neocosmos that there are institutional constraints that impede development in South Africa. Habib mentions three institutional constraints as fiscal foundation of the state, capacity of the public service and the international environment as the major challenges on the development state in South Africa.

5. Conclusion and recommendations

There is potential for a developmental state in South Africa only if the national economic resources which include land, water, minerals and marine resources are exploited in order to effectively advance human development with economic growth. Government intervention is imperative through pro-poor policies and strategic planning to drive economic growth, development and transformation of the structure of the economy. South African developmental state requires concerted efforts to deal with challenges in deconstructing inequalities, adopting economic policies that create sustainable employment opportunities and effective anti-poverty measures.

Given the problems of poverty, unemployment and inequality prevalent within the African continent, alternative solutions could be sought to assist the continent in driving effective development policies. South Africa also needs to integrate with its partners in Southern Africa and the world to make development possible. For South Africa to consolidate its transformation agenda it has to strengthen its institutional structures in partnership with organs of civil society in the creation of a people-centered and people driven democracy.

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